

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 AID-31 IGA-02 EB-08

CIAE-00 INR-07 NSAE-00 L-03 /082 W

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FM AMEMBASSY BEIRUT

TO SECSTATE WASHDC 3278

C O N F I D E N T I A L BEIRUT 1025

DEPT PASS AID

E.O. 11652: GDS

TAGS: SEDU, LE

SUBJECT: FINANCIAL PROBLEMS OF AUB/AUH

REF: (A) BEIRUT 0747, (B) DOHA 0226

1. DURING SECRETARY VANCE'S VISIT TO BEIRUT ON FEB 18, PRIME MINISTER AL-HOSS OBSERVED HE HAD BEEN A PROFESSOR AT AUB AND ASKED WHETHER THE UNITED STATES WOULD CONTINUE TO HELP THE UNIVERSITY. IN REPLY, UNDER-SECRETARY HABIB ASSURED HIM THAT THE UNITED STATES WOULD DO SO AND ASKED THE AMBASSADOR TO GET FROM THE UNIVERSITY A DETAILED LIST OF ITS NEEDS (SEE REF A). IN THIS REGARD, AUB PRESIDENT HAS GIVEN US A MEMORANDUM, DATED MAR 3, 1977, WHICH OUTLINES PROJECTED REQUIREMENTS AS FOLLOWS:

2. BEGIN UNCLASSIFIED. BEGIN QUOTE. THE UNIVERSITY IS FACING A SERIOUS FINANCIAL CRISIS AND WILL, BY JUNE 30, 1978 ACCUMULATE A DEFICIT OF \$10,501,392. "BALANCED" BUDGETS WERE POSSIBLE THROUGH JUNE 30, 1972 AND THE YEAR-BY-YEAR DEFICIT SINCE THEN IS AS FOLLOWS:

FISCAL YEAR	UNIVERSITY	HOSPITAL AND PRIVATE CLINICS
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1972-73	(PLUS 138,685)	144,202
1973-74	30,544	553,501
1974-75	806,594	552,836
1975-76	1,935,000	3,029,800
1976-77 (PROJECTED)	578,000	691,700
1977-78 (PROJECTED)	2,317,000	-0-

TOTAL 5,529,353 4,972,039

GRAND TOTAL \$10,501,392

3. THE DISASTROUS EFFECT OF THE WAR YEAR (1975-76) IS CLEAR.
SOME CONTRIBUTING FACTORS TO THE DEFICIT HAVE BEEN:

A. DOLLAR DEVALUATION.

B. SPIRALING INFLATION.

C. LOW STUDENT ENROLLMENT, ESPECIALLY SINCE 1974-75.

D. TREATMENT OF NON-PAYING CASUALTIES AT THE HOSPITAL
DURING THE WAR.

E. DECREASE IN PRIVATE DONATIONS DURING THE WAR.

F. HIGH COST OF LIVING ALLOWANCES IMPOSED FOR
NON-ACADEMIC EMPLOYEES BY GOVERNMENT DECREES.

G. INABILITY TO REDUCE STAFF AT INSISTENCE OF
GOVERNMENT OF LEBANON.

H. INABILITY TO IMPOSE PLANNED TUITION INCREASES.

4. TO FINANCE THE DEFICIT, TWO MEASURES WERE TAKEN:

A. BANK LOANS WERE OBTAINED AT COMMERCIAL INTEREST
RATES IN THE AMOUNT OF \$6,350,000.

B. FUNDING WAS DEFERRED FOR FIVE YEARS RUNNING FOR
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RENEWAL AND REPLACEMENT OF EQUIPMENT IN THE HOSPITAL
(\$3,907,000).

5. IT IS IMPORTANT TO NOTE THAT THE DEFICITS SHOWN
ABOVE DO NOT REFLECT IMPORTANT BUDGETED ITEMS WHICH
WERE DEFERRED DUE TO LACK OF FUNDS, SUCH AS EQUIPMENT
PURCHASES, ACQUISITIONS OF BOOKS AND PERIODICALS,
MAINTENANCE OF PHYSICAL PLANT, SALARY AND WAGE INCREASES
(THERE HAVE BEEN NO SUCH INCREASES SINCE 1974-75).

6. ASSISTANCE IS NEEDED UNTIL:

A. FULL STUDENT BODY RETURNS.

B. ECONOMIC RECOVERY IN LEBANON SO THAT TUITION RATES
CAN BE INCREASED TO COVER 54 PERCENT OF COST.

C. BURSARY STUDENTS RETURN WHO WILL PAY FULL COST, INCLUDING
STUDENTS SPONSORED BY AID (WE NOW HAVE 132 OUT OF FORMER

ENROLLMENT OF 445).

D. THE AUB SERVICE CORPORATION THROUGH ITS PROJECTS
BEGINS TO PAY DIVIDENDS (THE CORPORATION IS COMMITTED TO
PAY ITS PROFITS TO AUB).

E. UNIVERSITY LAND CAN BE DEVELOPED TO PRODUCE INCOME.

F. HOSPITAL OCCUPANCY RETURNS TO PRE-WAR LEVELS
(90 PERCENT OF 408 BEDS) AND WITH PRIVATE PATIENTS AT
60 PERCENT LEVEL (40 PERCENT WARD PATIENTS) WHICH
REQUIRES RETURN OF STAFF NURSES AND DOCTORS STILL AWAY.

7. IT IS ESTIMATED THAT TO BRING THE UNIVERSITY TO
PROPER STANDARD AND PAY ALL DEBTS, THE REQUIRED AMOUNT
IS \$19,000,000. END QUOTE. END UNCLASSIFIED.

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8. COMMENT: THE UNITED STATES HAS PROVIDED FINANCIAL
SUPPORT TO AUB SINCE 1951 AND WE THINK IT MOST
IMPORTANT THAT THIS SUPPORT CONTINUE, PARTICULARLY AT
THIS CRITICAL JUNCTURE, WHEN LEBANON NEEDS EVIDENCE OF
EXTERNAL SUPPORT FOR ITS INSTITUTIONS. SUPPORT FOR
AUB IS ONE MEANS OF HELPING LEBANON AND BEING SURE THAT
MONEY IS WELL SPENT.

9. WE WILL NOT DWELL ON SEMINAL ROLE AUB HAS PLAYED IN
EDUCATION OVER PAST 100 YEARS, BECAUSE THAT IS ALREADY
WELL-KNOWN AND APPRECIATED IN DEPARTMENT. WE ASSUME
THAT ROLE WILL BE GIVEN DUE WEIGHT IN USG DECISION ON
FINANCIAL AID.
PARKER

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Message Attributes

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